United Nations E/CN.5/2011/3

Economic and Social Council

Distr.: General
23 November 2010

Original: English

Commission for Social Development
Forty-ninth session
9-18 February 2011
Item 3 (a) of the provisional agenda*
Follow-up to the World Summit for Social Development and the twenty-fourth special session of the General Assembly

Poverty eradication

Report of the Secretary-General

Summary

The present report has been prepared in response to Economic and Social Council resolution 2010/10, in which the Council decided that the priority theme for the 2011-2012 review and policy cycle should be the eradication of poverty, taking into account its relationship with social integration and full employment and decent work for all. The report presents current poverty trends and provides an overview of the main challenges to poverty eradication.

* E/CN.5/2011/1, to be issued.

10-68878 (E) 131210

Please recycle

I. Introduction

1. Since the World Summit for Social Development, in 1995, poverty eradication has become the overarching objective of development. As a major step towards this objective, the Millennium Declaration set the target of halving the proportion of people living on less than $1 a day between 1990 and 2015.

2. While the target is expected to be met at the global level, some regions and countries are likely to fall short. At the High-level Plenary Meeting of the General Assembly on the Millennium Development Goals, held in New York from 20 to 22 September 2010, Governments recognized that progress, including on poverty eradication, was being made despite setbacks but expressed concern that the number of people living in extreme poverty and hunger surpassed one billion (see resolution 65/1). With less than five years remaining before the target date of 2015, actions to accelerate progress, building on successes and lessons learned, are especially pressing in those regions which lag behind in reducing poverty and where social and economic inequalities remain strong.

3. The present report presents current poverty trends and provides an overview of the main challenges to poverty eradication.[1] The report should be read in conjunction with the *Millennium Development Goals Report 2010*,[2] the report of the Secretary-General on keeping the promise: a forward-looking review to promote an agreed action agenda to achieve the Millennium Development Goals by 2015 (A/64/665), the report of the Secretary-General on the Implementation of the Second United Nations Decade for the Eradication of Poverty (2008-2017) (A/65/230) and the *Report on the World Social Situation 2010: Rethinking Poverty*.[3]

II. Progress towards poverty eradication

A. Income poverty

4. Much of the progress in reducing extreme poverty and raising living standards has taken place in Eastern Asia, particularly in China. Other regions have been less successful: sub-Saharan Africa and parts of Eastern Europe and Central Asia are currently not on track to meet the poverty target, as shown in table 1. In sub-Saharan Africa, the incidence of poverty has been falling rapidly since the late 1990s and is projected to continue declining despite the current economic and financial crisis, but the region still has a long way to go. More than half of the population in sub-Saharan Africa was still living in extreme poverty in 2005, and many of those living in extreme poverty were further below the poverty line in this than in other regions. Although South Asia is expected to reach the poverty target by 2015, the pace of poverty reduction will have to increase in this region from the annual average of 1.6 per cent observed in 1990-2005 to an annual average of 4.4 per cent in 2005-2015.

[1] The report takes into account the input provided by the Non-Governmental Organization Committee on Social Development.

[2] *Millennium Development Goals Report 2010*, United Nations publication, Sales No. E.10.I.7. Available from www.un.org/millenniumgoals.

[3] United Nations publication, Sales No. E.09.IV.10. Available from www.un.org/esa/socdev/rwss/2010_media.html.

Table 1
Percentage of the population living on less than $1.25 a day, 2015 target and projected 2015 levels

Region	*Percentage living below $1.25 a day*		*2015 target*	*Projected 2015 levels (post-crisis scenario)*[a]
	1990	*2005*		
Eastern Asia and the Pacific	54.7	16.8	27.4	5.9
Eastern Europe and Central Asia	2.0	3.7	1.0	1.7
Latin America and the Caribbean	11.3	8.2	5.7	5.0
Middle East and Northern Africa	4.3	3.6	2.2	1.8
South Asia	51.7	40.3	25.9	22.8
Sub-Saharan Africa	57.6	50.9	28.8	38.0
Total	**41.7**	**25.2**	**20.9**	**15.0**

Source: *Global Monitoring Report 2010: the Millennium Development Goals after the crisis* (Washington, D. C., the International Monetary Fund and the World Bank).

[a] The World Bank has produced three poverty reduction scenarios by region to 2015 and beyond (2020): post-crisis, pre-crisis and low-growth scenarios. The post-crisis scenario assumes a relatively rapid economic recovery in 2010, with strong growth continuing in the future.

5. While the predicted declines in income poverty at the global and regional levels are encouraging, poverty remains at a high level and is intractable in many countries. Reaching the Millennium Development Goal poverty target is but one step towards the commitment to the eradication of poverty made at the World Summit for Social Development. In India, for example, more than 300 million people will still be living in extreme poverty by 2015 even if the country reaches the poverty target, as expected. In sub-Saharan Africa, more than one third of the population is expected to be living in poverty by 2015. In addition, many individuals live just above the official poverty line, and a small shock could push them into poverty. Using the World Bank poverty line of $2 a day, for instance, leads to a dramatic increase in poverty levels in developing countries (2.5 billion people were below that level in 2005).

6. While global poverty trends mask regional diversity, regional trends conceal very different national experiences, even across countries with similar income levels. In low-income countries of sub-Saharan Africa alone, estimated income poverty in 2005 ranged from 13.1 per cent, in Mauritania, to 86.1 per cent, in Liberia. The percentage of people living in poverty was almost twice as high in Guinea (70 per cent) as compared with Togo (39 per cent), although income per capita was $350 in both countries.[4] Income per capita in Angola was five times that of Ethiopia in 2008, yet children in Ethiopia stayed in school much longer (8.4 years, on average) than those in Angola (4.4 years) and were expected to live longer (56.1 years, as compared with 48.1 years in Angola).[5]

[4] World Bank development indicators database, available from http://data.worldbank.org/indicator. Accessed on 29 October 2010.

[5] United Nations Development Programme, *Human Development Report 2010. The Real Wealth of Nations: Pathways to Human Development*. Available from www.undp.org/publications/hdr2010.

B. Beyond income poverty

7. Although the Millennium Development Goal poverty target is income-based, extreme poverty is not simply a lack of adequate income. Individuals living in poverty experience multiple deprivations, restrictions in opportunities and social exclusion. According to the Programme of Action of the World Summit on Social Development,[6] "Poverty has various manifestations, including lack of income and productive resources sufficient to ensure sustainable livelihoods; hunger and malnutrition; ill health; limited or lack of access to education and other basic services; increased morbidity and mortality from illness; homelessness and inadequate housing; unsafe environments; and social discrimination and exclusion. It is also characterized by a lack of participation in decision-making and in civil, social and cultural life" (chap. II, para. 19).

8. The distribution of non-monetary productive resources, and of wealth in general, is known to be more unequal than the distribution of income. Inequality is also significant and often more persistent in access to education and health. Many countries that have succeeded in reducing income poverty still face important challenges in other dimensions of deprivation.

Hunger

9. The number of undernourished people increased from 817 million in 1990-1992 to over 1 billion in 2009, and it is estimated to have declined to 925 million in 2010.[7] Despite the expected overall improvement in food security in 2010, the absolute levels of hunger are still higher than they were before the food and economic crises. The proportion of undernourished people remains highest in sub-Saharan Africa, at 30 per cent in 2010, but progress varies widely at the country level: Ghana, Mali, Nigeria and the Republic of the Congo have reached target 3 of Millennium Development Goal 1 (halving the proportion of people who suffer from hunger); in the Democratic Republic of the Congo, however, the proportion of undernourished people has risen to 69 per cent from 29 per cent in 1990-1992.

10. Differences between the number of people who are income poor and the number of people who suffer from hunger indicate that nutritional outcomes are affected by factors other than income, such as maternal health and education and feeding and hygiene practices. However, in some African countries, including the Democratic Republic of the Congo, Ethiopia, Kenya and Nigeria, the estimated number of people living in extreme income poverty is lower than the number of those who are undernourished. Insofar as the income poverty line is defined in terms of income required to meet the basic needs of an individual or a household, mainly the amount of food needed to avoid going hungry, such discrepancies raise concerns about the accuracy of the measures used.

[6] *Report of the World Summit for Social Development, Copenhagen, 6-12 March 1995* (United Nations publication, Sales No. E.96.IV.8), chap. I, resolution 1, annex II.

[7] Food and Agriculture Organization of the United Nations, *The State of Food Insecurity in the World 2010: Addressing Food Insecurity in Protracted Crises*. Available from www.fao.org/publications.

Health and education

11. Access to health care and education are vital to break the cycle of poverty and to prevent passing it on to the next generation. Yet, people living in poverty face obstacles in accessing health care and formal education and die prematurely, often from easily preventable health problems. Disease, in turn, can push vulnerable families into poverty. These linkages underline the vicious circle that exists between income poverty and poor health and low levels of education.

12. Poor countries have made much progress in increasing enrolment in primary education, but they still have large gaps to close. At least one in four children of primary school age and more than one third of children of lower secondary school age were out of school in half of all countries in sub-Saharan Africa in 2008.[8] Similarly, the health burden attributable to communicable diseases, including HIV, maternal and perinatal conditions, has declined in developing countries, but only 10 out of 67 countries with high child mortality rates are on track to meet the Millennium Development Goal target on child survival, and less than half of women giving birth are attended by skilled health-care personnel in sub-Saharan Africa and South Asia.[2]

13. There have been several attempts to include health care, education and other factors into the measurement of poverty. The United Nations Development Programme (UNDP) has launched a new poverty measure, the multidimensional poverty index, which takes into consideration overlapping deprivations in health care, education and living standards. According to the index, about 1.7 billion people live in multidimensional poverty.[5] This exceeds the 1.3 billion people estimated to live on $1.25 a day or less in those same countries. The incidence of multidimensional poverty is higher than that of income poverty in over 60 per cent of the countries covered. Differences are significantly large in South Asian countries, where the multidimensional poverty index is generally high due to malnutrition. That is, a number of countries which have succeeded in reducing income poverty still face important challenges in ensuring access to education, health care and food, as well as basic services, in particular clean cooking fuels.[9]

III. Challenges for poverty eradication

14. Countries face diverse economic, social and political challenges to achieving the eradication or poverty, including lack of sustained and sustainable economic growth. Growth without productive employment, social and economic inequalities, economic shocks, environmental hazards and conflict are among the most significant of those challenges.

---

[8] United Nations Educational, Scientific and Cultural Organization, *Education for All Global Monitoring Report 2010: Reaching the Marginalized*. Available from http://unesdoc.unesco.org.

[9] The soundness of using one single multidimensional measure of combined deprivations has been questioned (see Martin Ravallion, "Mashup indices of development", policy research working paper no. 5432, World Bank Development Research Group, September 2010). The measure is used here only to illustrate that the prevalence of poverty would be higher if other aspects of deprivation, beyond income, were taken into account.

A. The challenge of sustained, inclusive growth

15. Fast economic growth and macroeconomic stability are necessary for sustained poverty reduction. China and other countries of Eastern and South-East Asia that have experienced strong growth during the past 20 years, such as Malaysia, Thailand and Viet Nam, have managed to significantly reduce poverty. However, economic growth alone does not suffice. The poor are often locked out of the economic growth processes, especially in highly unequal societies, where they may not have access to productive resources, including land, markets or transportation and communications infrastructure. In a majority of countries, increasing inequalities in income and wealth have limited the effectiveness of economic growth in reducing poverty.[10]

16. In general, poverty will decline the fastest in countries where average income growth is highest, in countries where initial inequality is lowest, and in countries where economic growth is most inclusive, namely, where growth is combined with falling inequality. There is also evidence that high initial inequality hinders economic growth, while the impact of redistributive policy on economic growth depends on the types of measures employed. Poverty, especially its non-income dimensions, has also been shown to act as an impediment to economic growth. The structural composition of a given level of economic growth also matters: a more labour-intensive growth pattern enables faster poverty reduction.

17. Yet in many low-income countries, the slow rate of economic growth constitutes the main challenge to poverty reduction. Without an adequate rate of economic growth to raise the average level of income, opportunities for redistribution are limited in poor countries. The pre-crisis experience of Africa illustrates well the point that economic growth is a necessary, albeit not sufficient, condition for poverty reduction. The example of Latin America, with relatively weak economic growth and persistently high levels of poverty and inequality in the past two decades, is also telling evidence that sustained inclusive economic growth is needed to reduce poverty.[11]

B. The challenge of employment creation

18. Employment is a crucial channel through which income growth can be widely shared and is an essential means of social integration. Adequately remunerated jobs provide income security, access to social protection, better health and educational status and, ultimately, a way out of poverty. Where growth has generated and sustained sufficient increases in productive employment, its benefits have been more equitably distributed.

19. The period of expansion that preceded the current crisis was accompanied by employment growth across most regions. Between 1990 and 2007, global employment grew by approximately 30 per cent. However, such growth was not

[10] See Stephan Klasen, "Economic growth and poverty reduction: measurement and policy issues". Organization for Economic Cooperation and Development Development Centre working paper No. 246 (Paris, September 2005).

[11] Guillermo E. Perry, Omar S. Arias, J. Humberto López, William F. Maloney and Luis Servén, *Poverty reduction and growth: virtuous and vicious circles* (Washington, D.C., World Bank, 2006.)

sufficient to absorb the growing labour force: recorded unemployment grew from 160 million in 1996 to approximately 190 million in 2007, and the unemployment rate remained at 6 per cent throughout the period.[12] In addition, employment growth occurred alongside a redistribution of income away from labour. The share of wages in total income declined the most in Latin America and the Caribbean, by 13 points between 1990 and 2007, followed by Asia and the Pacific (-10 points) and developed countries (-9 points).[13] These declines coincide with decreased unionization and increased trade and financial deregulation across the world.

20. The economic crisis has so far led to sharp falls in employment and wages. Globally, the number of jobless persons is estimated to have reached 210 million in mid-2010, up from 178 million in 2007.[14] In countries with high levels of poverty and inadequate social security systems, however, a majority of workers cannot afford to stay unemployed. Workers laid off from the formal sector have turned to the informal economy, where salaries are often lower and working conditions are poorer. The recession has subjected workers in the informal sector to even lower earnings owing to a decrease in demand, lower prices and increased competition for informal jobs. As a result, estimates of working poverty across the world indicate that up to 215 million workers may have joined the ranks of people living on less than $1.25 a day between 2008 and 2009, a setback after years of progress in reducing decent work deficits.[15] Although poor countries that are less integrated into the global economy have so far been less vulnerable to the impact of the crisis, they are also less resilient and less able to respond to such impacts. A small decline in growth in agricultural sectors may actually translate into a proportionally higher increase in poverty.

21. The longer the distress in the labour market persists, the more affected workers, their families and their communities run the risk of being trapped in long lasting poverty. In this regard, the impact of the crisis on youth, who are disproportionately affected by unemployment and overrepresented in low-wage jobs in the informal sector, is a major area of concern. Early labour market experiences shape the future earning potential of youth as well as the educational attainment and health status of the current and future generations of young people.

22. Overall, the economic development path followed by many developing countries has not led to a sustained improvement in productive employment. Where employment has grown, jobs have not been a vehicle to social protection and income security. Workers moving out of agriculture have often gone into low value added activities, mostly in the urban informal sector, where the scope for sustained productivity growth and upward mobility is limited, while farm productivity has remained stagnant in many rural areas.

---

[12] International Labour Organization, *Global Employment Trends 2008* (Geneva, International Labour Office, 2008).

[13] International Labour Organization, *World of Work Report 2008, Income Inequalities in the Age of Financial Globalization* (Geneva, International Institute for Labour Studies, 2008).

[14] International Labour Organization, "Weak employment recovery with persistent high unemployment and decent work deficits: an update on employment and labour market trends in G20 countries". Report published on the occasion of the Summit of the Group of 20 held in Seoul, 11-12 November 2010.

[15] International Labour Organization, *Global Employment Trends 2010* (Geneva, International Labour Office, 2010).

23. The promotion of productive employment and decent work has generally not been an objective of macroeconomic policy. Rather, macroeconomic stabilization measures implemented by many countries in the 1980s or the 1990s led to declines in public investment in infrastructure, technology and human resources that are critical to raising productivity and reducing vulnerability. Only a few countries succeeded in implementing complementary policies in the economic and social fields, jump-starting the growth process by increasing agricultural productivity and carrying out land reform, and supporting development in the industrial and services' sectors by investing heavily in education, research and infrastructure development. The example of Eastern Asia and some countries in South-East Asia has been well documented.

24. In contrast, early state-led industrialization strategies were abandoned in many countries in sub-Sahara countries when the international financial institutions imposed deflationary and liberalization policies. Their economies have remained heavily agrarian, with little non-farm employment available, a large informal sector and limited industrial and export sectors. In most of Latin America and other middle-income countries, such as the Philippines and South Africa, labour markets are highly dualistic, and a formal industrial sector that offers decent working conditions coexists with the informal sector. Even in India, 90 per cent of the working population belongs to the informal sector, despite the fact that a number of high value-added services have taken off in recent years.[16] Economic change has failed to deliver the sustained, inclusive and equitable economic growth that is necessary for reducing poverty.

25. Recent responses to the current economic crisis suggest that there is political momentum in favour of investments in social protection and the improvement of social services. One reason for this is that many developing countries, especially in Asia and Latin America and the Caribbean, managed to avoid large current account deficits and improve debt ratios during the period of economic expansion that preceded the crisis, and thus maintained solid financial footing. Another reason is the recognition that creating employment and supporting workers are necessary to restore aggregate demand and are essential to move towards a more sustained and inclusive path of economic growth. However, the crisis is constraining the ability of Governments to sustain expenditure. In addition, macroeconomic policy goals remain focused on fiscal consolidation. All in all, few of the measures implemented or announced by poor countries suggest that the crisis will be used as an opportunity to review the inadequacy of social protection schemes or establish a social protection floor.

C. The challenge of inequality

26. Economic and social inequalities affect the impact of economic growth on poverty reduction. Not only are the poor left out of the economic growth process, but they are often excluded from social and political life. Inequalities along the multiple dimensions of poverty — including income, health care and education — often overlap with other characteristics, including gender and location, and

[16] *Combating Poverty and Inequality: Structural Change, Social Policy and Politics* (United Nations Research Institute for Social Development publication, 2010, Sales No. E.10.III.Y.1).

contribute to the systematic disadvantage of some groups and to the lack of equal opportunity.

Income inequality

27. Since 1990, the trend has been towards increasing inequality in many countries. Between 1990 and 2005, approximately two thirds of countries with available data experienced an increase in inequality, and the income gap between the wealthiest and poorest 10 per cent of income earners increased in 70 per cent of countries.[13,17]

28. The relative shares of labour and capital income are an important indication of inequality and poverty. As a greater proportion of income accrues to capital, and thus generally to the wealthiest members of society, less income goes to the majority of people whose income is generated through work. The share of income that accrues to labour has declined in 60 per cent of countries since 1990.[18]

29. Financial liberalization, regressive taxation, privatization in the context of weak regulation and the unequal distribution of productive assets, such as land and credit, have contributed to growing inequality. Labour market policies that have allowed for the rise of more precarious forms of work, the erosion of minimum wages and the weakening of the bargaining power of unions have also contributed to the growing disparity between rich and poor.

30. Poverty levels decline when the share of gross domestic product (GDP) that goes to wages grows, or when the distribution of income changes so that a greater share of income goes to those living in poverty. Furthermore, the gap between economic growth and poverty reduction is attributable, at least in part, to income inequality. For example, large increases in income in Botswana have translated into modest poverty declines, whereas modest growth has led to large reductions in poverty in Ghana. Inequality explains much of this disparity.[19]

Inequality in human capital

31. Income poverty impedes the accumulation of human capital and can lead to a vicious poverty trap. Countries with good health indicators and higher levels of education tend to have lower overall inequality. In all countries, the poorer segments of the population are less likely to have access to quality health care and education. Public services accessible to the poor are often of lower quality than those available to better-off groups.

32. Poverty and inequality are often passed on from one cohort to the next, and the deprivations children suffer at birth and throughout childhood often lead to an adulthood constrained by similar circumstances. Children in families at the lower

---

[17] Francisco H. G. Ferreira and Martin Ravallion, "Global poverty and inequality: a review of the evidence", in Policy Research Working Paper Series, No. 4623 (Washington, D.C., World Bank, 2008).

[18] United Nations Development Programme, *The Real Wealth of Nations: Pathways to Human Development*, Human Development Report 2010 (New York, Palgrave Macmillan, 2010).

[19] Augustin Kwasi Fosu, "Growth, Inequality, and Poverty Reduction in Developing Countries: Recent Global Evidence", paper prepared for the Expert Group Meeting on Poverty Eradication held from 15-17 September 2010 in Addis Ababa. Available from www.un.org/esa/socdev/social/meetings/egm10/documents/Fosu%20Longpaper.pdf.

end of the income distribution scale tend to have poorer health, shorter life expectancy and less education, and this translates into lower income in adulthood.

33. Rates of infant and child mortality are higher among those at the lower end of the wealth distribution scale, and life expectancy is shorter. While one in four children in the developing world is underweight, the proportion of underweight children under 5 years of age is twice as high for the poorest decile of households as compared with the wealthiest.[2] In Eastern Asia and the Pacific, Arab States and Latin America and the Caribbean, infant mortality for the wealthiest quintile is less than half the rate of the poorest. Poverty constrains education, especially for girls. Girls in the poorest 20 per cent of households are four times as likely to be out of school as boys from the richest 20 per cent of households.[2] Poor health care and lack of education, in turn, limit the capacity for productive work and reduce lifelong earning potential, leading to a vicious cycle of intergenerational poverty.

Gender inequalities

34. Though there has been considerable progress in reducing gender inequality in the past three decades, women remain disadvantaged relative to men in most spheres of life. Gender inequality reflects social structure, culture and values, and these dimensions manifest themselves in unequal opportunities and outcomes for girls and women. Traditional gender roles can contribute to the devaluation of women's capacities and contributions. Women have greater responsibility for unpaid care work, which places limits on their opportunities to engage in formal work and in many contexts limits their ability to advance their education.

35. Women tend to be concentrated in vulnerable employment, are more likely to be among the working poor and are overrepresented in the agricultural sector. They are more likely to have low earnings, low productivity and less job security. In developing regions, vulnerable employment makes up 65 per cent of total employment for women and 57 per cent for men.[2] The gender gap in vulnerable employment is highest in the Asian and African regions.[15] Women earn on average 17.6 per cent less than men in Organization for Economic Cooperation and Development countries, and in all but a few countries the gender gap is wider among the highest wage earners.

36. Measures of poverty and income at the household level can mask gender inequalities. Although a household may not be poor, female members may be less likely to control household resources and may be dependent on males for financial security. Resources may be unevenly distributed within the household with male family members more likely to receive food in larger quantities and of better quality, are more likely to be sent to and remain in school, and are more likely to receive medical care when needed relative to females within the family.

Urban/rural inequalities

37. Even though poverty has been growing faster in urban than in rural areas, the incidence of poverty is still higher in the latter. Throughout the world there are large disparities in well-being between urban and rural residents. Wages are higher in urban areas, where employment is more likely to be in the industrial or service sectors, than in rural areas. The urban/rural gap goes well beyond wages. In the public services of most countries, health care and education are more accessible and of better quality in urban areas. In developing regions, nearly 70 per cent of the

urban population has access to improved sanitation, while only 40 per cent in rural areas do.[3] Rural children are twice as likely to be out of school compared with their urban counterparts.

38. The urban/rural differentials in wages and other opportunities serve as constant push and pull factors for urban/rural migration. Most developing countries do not have the capacity to create jobs for the sustainable absorption of the increasing number of people who are moving to urban areas. This is causing rapid increases in the number of slums and in urban inequality. As noted by the Secretary-General in his report for the 2010 Millennium Development Goal Summit, the target of improving the lives of at least 100 million slum-dwellers (Goal 7) has proven to be much less ambitious than necessary to reverse the trend of increasing numbers of slum-dwellers. These challenges are only going to become more acute unless adequate corrective actions are taken, such as sound urban planning. Ultimately, more balanced growth, including rural development, is the only long-term solution to growing urban inequality and the widening urban/rural divide.

D. The challenge of shocks, climate change and conflict

39. Much of the population residing above the poverty line remains, nonetheless, vulnerable to poverty. Economic shocks take many forms and can, without warning, push people into poverty or push the poor into deeper poverty.

40. Poor families often have irregular incomes and minimal savings to provide a buffer during difficult periods. Savings may not be held in the form of cash, but instead in livestock or other assets which may not be readily transferable. An unexpected event, such as job loss, family illness or crop disease, could consume household resources and lead to deprivation. Natural disaster, conflict and macroeconomic shifts are large-scale forms of economic shocks. In some cases, families may recover in the short term. In other cases, shocks can create long-term poverty traps.

41. Conflict and climate change have significant and dynamic links with poverty. People who live in poverty or who are vulnerable to poverty are often ill-equipped to stave off their onset and tend to suffer most from their effects.

Poverty and conflict

42. Countries with low levels of per capita income are those most likely to experience armed conflict. Poverty can contribute to conflict through the disparate conditions it generates and the lack of options it affords. Income inequality and limited job opportunities, particularly for young people, combined with social fragmentation and exclusion, exacerbate social tensions and can ignite conflict.

43. Conflict exacts a tremendous toll on economies and human development. It has been estimated that civil war reduces economic growth by at least 2 per cent a year. A typical seven-year war thus reduces a country's wealth by 16 per cent.[20] Conflict-affected countries tend to experience significant capital flight, and public

[20] Paul Collier, *The Bottom Billion: Why the Poorest Countries are Failing and What Can be Done About It* (New York, New York, Oxford University Press, 2007).

resources are likely to be diverted from social and other spending towards military expenditure.

44. Conflict damages homes and essential infrastructure, such as roads and hospitals, and has an impact on public services, such as health care and education, and delivery channels for food and other consumption items. Insecurity may further prevent adults and children from accessing jobs and schools, thereby reducing productivity and income and creating irreparable learning gaps among young people. Human capital is further diminished through injury and illness, chiefly among non-combatants. Of deaths associated with conflict, 90 per cent are due not to violence, but to disease and malnutrition.[21] Social capital, too, deteriorates amidst conflict, as families and communities are separated or displaced.

45. Women are particularly affected by conflict. They are often targeted with sexual violence and suffer from inadequate reproductive care. As the rule of law gives way to impunity, other types of violence against women, such as domestic abuse, tend to become more frequent. Since women usually have responsibility for household tasks, they must devise alternate means to feed their families and provide care for children and older persons.

46. Progress towards reaching the Millennium Development Goals is slowest in fragile and conflict-affected countries. Pre-conflict income levels and social development measures can take many years to regain. Moreover, conflicts are most likely to erupt in countries which have experienced them before, making sustainable security and sustainable poverty reduction more elusive.

Poverty and climate change

47. Over the next two decades, the effects of climate change can increase the potential for civil war in sub-Saharan Africa. Research has found that crops in the region, on which the majority of Africa's poor rely for their livelihoods, are highly sensitive to minor temperature changes. Between 1980 and 2002, a rise in temperature of 1° Celsius in any given year was associated with an almost 50 per cent greater incidence of conflict. Current projections indicate that temperatures in the region will rise by just over 1° Celsius by 2030.[22]

48. While levels of greenhouse gas emissions are higher in developed countries, vulnerability to the effects of climate change is greater in the developing world. Climate change will severely affect millions of the world's poor and frustrate efforts to reduce extreme poverty. Without adequate means to adapt, poor individuals and communities could become caught in poverty traps.

49. People living in poverty, especially in marginal environments and areas with low agricultural productivity, depend directly on genetic, species and ecosystem

[21] Gareth Evans, "Conflict and poverty", paper prepared for the keynote address to the Plenary Session on Tackling Conflict, Fragility and Insecurity: Creating the Conditions for Effective Poverty Reduction, at the Conference on the Future of International Development, Department for International Development, London, March 2009. Available from www.dfid.gov.uk/wp2009/speeches/dfid-conf-gareth_evans.pdf.

[22] Stanford University Programme on Food Security and the Environment, "Study finds climate change could boost incidence of civil war in Africa", Press Release, 23 November. Available from http://foodsecurity.stanford.edu/news/fse_study_finds_climate_change_could_boost_incidence_of_civil_war_in_africa_20091123/.

diversity to support their livelihoods. The effects of climate change on natural systems therefore threaten their well-being. The impact on agriculture in developing countries from changes in temperature and rainfall patterns are already visible; crop failures and death of livestock are causing economic losses, contributing to higher food prices and increasingly undermining food security, especially in parts of the sub-Saharan Africa.

50. At the same time, the burgeoning of populations is increasing the demand for food. It is estimated that by 2080, up to 600 million more people could be facing malnutrition as a result of the impact of climate change on agriculture. By the same year, an additional 1.8 billion people could be living amidst water scarcity.[23] Increased frequency and severity of natural disasters could displace many millions of people. Meanwhile, agriculture-led poverty reduction strategies that focus on building rural income and employment may be compromised.

51. Climate change is further expected to have a negative impact on health through the expansion of the reach of major diseases and the introduction of new ones, increasing the strain on overburdened health systems. The World Health Organization estimates that an additional 140,000 deaths occur each year as a result of the impact of global warming on malnutrition, diarrhoeal disease, malaria and flooding. Since poorer countries are hit harder, climate change is widening existing health disparities.[24] It is also expected that climate change will intensify problems in urban environments, such as increased air pollution and its related health consequences.

52. Climate change affects various social groups differently. Vulnerability and adaptive capacity are influenced by factors such as gender, age, education, ethnicity, geography and language. Children, for example, are more vulnerable to hunger and disease. Older persons have weakened immune systems that render them more susceptible to disease and changing weather conditions, especially heat waves, and they are also less mobile. Disaster-related deaths are 14 times higher among women and children than men, with women more vulnerable in societies where they have fewer social and economic rights.[25]

53. Poverty eradication, peace and security, and environmental stewardship are mutually reinforcing. Social development policies that focus on sustainability, inclusive growth and decent work, as well as social protection to cushion shocks, can strengthen the resilience of people living in or vulnerable to poverty. Investing in green jobs is an important mitigation strategy that also has the potential to reduce poverty and build social stability through the creation of employment. Green jobs include those that reduce the consumption of energy, water and raw materials and that lower greenhouse gas emissions. With the global market for environmentally friendly products and services expected to double from 1.37 billion to 2.7 billion

[23] United Nations Development Programme, *Human Development Report 2007/2008: Fighting Climate Change: Human Solidarity in a Divided World* (Basingstoke, United Kingdom, Palgrave Macmillan, 2007). Available from http://hdr.undp.org/en/reports/global/hdr2007-2008/.

[24] World Health Organization, *Protecting health from climate change: connecting science, policy and people* (Geneva, 2009). Available from www.who.int/globalexchange/publications/reports.

[25] Ariana Araujo and Andrea Quesada-Aguilar, "Gender equality and adaptation", fact sheet, Women's Environment and Development Organization and The World Conservation Union. Available from http://www.gender-climate.org/pdfs/FactsheetAdaptation.pdf.

annually by 2020, green jobs present a practical and sustainable solution to reducing poverty.[26]

IV. Major policy challenges

A. Economic growth and employment

54. Macroeconomic stabilization policies aimed at maintaining short-term stability by curbing inflation and controlling fiscal deficits have brought about volatility in the real economy and the labour market. Emphasis on balancing public budgets has often resulted in declines in public investment in infrastructure, technologies and human capital, all of which are critical for economic growth and employment creation. Public spending on agriculture, in particular, declined between 1980 and the early 2000s, falling from 6.4 per cent of total spending in 1980 to 5 per cent in 2004 in Africa, from 14.8 to 7.4 per cent in Asia and from 8 to 2.7 per cent in Latin America and the Caribbean over the same period.[11]

55. However, agriculture is still the main source of livelihood for poor women and men. Small- and medium-size farms provide employment to a majority of the population in developing countries. Despite the widely held view that export production is the most profitable option and that large commercial farms are more efficient in reaching international markets, most of the evidence suggests that domestic urban markets are the key driver of agricultural productivity in a number of countries, and that such markets are better served by small, more flexible family farms, provided that they are connected to local trade networks and supported by non-farm income sources.[27] Countries with large agricultural sectors that have focused on raising small-holder on- and off-farm productivity by increasing access to inputs — mainly fertilizer and high-yielding seeds — infrastructure, information and markets, have seen significant increases in agricultural output.

56. Small- and medium-sized enterprises employ a large share of both the urban and rural labour force in many countries. In developing countries, those enterprises often operate informally and are characterized by low pay, income insecurity and lack of benefits. Enhancing the ability of such enterprises to generate decent work requires access to credit, technical assistance, building of management capacity and information. It also requires streamlining procedures for business formation and regulatory oversight, balancing the need to safeguard and improve the protection of workers.

B. The role of social protection

57. Insofar as social protection measures shield people from various shocks and enhance their capacity to manage and overcome situations that affect their well-

[26] United Nations Environment Programme, *Green jobs: towards decent work in a sustainable, low-carbon world* (Nairobi, 2008). Available from www.unep.org/labour_environment/PDFs/Greenjobs/UNEP-Green-Jobs-Report.pdf.

[27] See "Links between urban and rural development in Africa and Asia", Cecilia Tacoli, in "Proceedings of the Expert Group Meeting on Population Distribution, Urbanization, Internal Migration and Development", United Nations, New York, 21-23 January 2008.

being, they are essential to reduce vulnerability and prevent deterioration in living conditions. During economic crises, social protection systems perform an important role as social and economic stabilizers. In the long term, social protection can help individuals and families build human capital and improve their livelihood prospects, thereby addressing the underlying causes of poverty.

58. Familial and other informal social protection mechanisms remain important in low-income countries, but their effectiveness is undermined by trends such as urbanization, changes in family structure and a weak resource base. At the same time, the reach of formal social protection systems is still limited in many countries. The International Labour Organization (ILO) estimates that only 20 per cent of the working age population and their families have access to comprehensive social protection systems worldwide.[28]

59. In particular, the development of social insurance programmes, which are usually contributory and provide protection against unemployment, sickness, old age and other contingencies, has been uneven in developing countries. In contrast, social assistance aimed at alleviating poverty and social exclusion has become a key component of social protection in developing countries where the incidence of informality is high and public service provision is limited. Cash transfers which are conditional on education and other human capital investments — such as *Bolsa Familia*, in Brazil, *Oportunidades*, in Mexico, or *Familias en Acción*, in Colombia — and those conditional on work such as the National Employment Guarantee Act, in India, or the Productive Safety Net Programme, in Ethiopia — are now widespread and cover significant proportions of the population in several countries of Asia and Latin America. Unconditional cash transfer initiatives, be it categorical, such as the Child Support Grant, in South Africa, which covers more than 4 million beneficiaries, or universal, such as the Kalomo Social Transfer pilot scheme, in Zambia, have also grown in the past two decades.

60. Overall, countries that have successfully reduced income poverty and improved social conditions on a broad scale have developed comprehensive social protection policies covering a majority of the population. The social consequences of economic crises have been most severe in countries where social protection systems were weakest. Evidence from across the world shows the potential of social protection programmes to reduce poverty and inequality. For countries at a given income level, higher levels of expenditure on social protection are correlated with lower poverty levels.[29] ILO estimates that non-pension cash transfers reduce the risk of falling into poverty by more than 20 per cent in most of the European Union, and even by more than 50 per cent in countries such as Denmark, Finland, France, Hungary, the Netherlands and Sweden.[30] The World Bank estimates that social protection could cut transient poverty by half, thus reducing the total poverty headcount by at least 5 to 10 per cent.[31] In Mexico, *Progresa* (now *Oportunidades*)

[28] International Labour Organization, *World Social Security Report 2010/11: Providing coverage in times of crisis and beyond* (Geneva, International Labour Office, 2010).

[29] Armando Barrientos, "Social protection and poverty reduction", Background paper commissioned for the UNRISD report "Combating Poverty and Inequality: Structural Change, Social Policy and Politics".

[30] See *World Social Security Report 2010/11: Providing coverage in times of crisis and beyond*, pp. 107-108 and figure 8.9.

[31] World Bank, *The Contribution of Social Protection to the Millennium Development Goals* (Washington, D.C., 2003), p. 8.

may have led to a 36 per cent decline in poverty rates among its beneficiaries.[32] Brazil identifies the expansion of *Bolsa Familia*, together with an increase in minimum wage, as the reason for having met the Millennium Development Goal 1 target ahead of schedule.[33]

61. While the structure of social protection systems should vary depending on specific country contexts, some broad guidance has been given. The first building block of a comprehensive social security system in countries lacking it should comprise a basic set of essential, context-appropriate social transfers and access to essential services, including health care, education and adequate nutrition. This basic set of transfers or social protection floor is affordable, even in the poorest countries, if implemented progressively. A series of studies conducted by ILO in 12 countries of Asia and sub-Saharan Africa show that the initial gross annual cost of a basic social protection package would be between 2.2 and 5.7 per cent of GDP in 2010.[34] Individual elements appear more affordable: the cost of providing basic child benefits would be less than 3 per cent of GDP in a large majority of the countries studied; the cost of social assistance, including a 100 day employment scheme for the poor, would be well below 1 per cent of GDP; the cost of universal access to essential health care would range from an estimated 1.5 of GDP, in the Asian countries studied, to 5.5 of GDP, in Burkina Faso. These costs are less significant if the potential consequences of not investing in social protection are factored in.

62. A critical and missing factor in successful social protection programmes is sustainable funding. The Global Jobs Pact adopted by the International Labour Conference in June 2009 urges "the international community to provide development assistance, including budgetary support, to build up a social protection floor on a national basis".[35] Currently, social assistance programmes are strongly dependent on international aid in low-income countries of sub-Saharan Africa. In the long term, countries must secure the necessary fiscal space in order to guarantee the sustainability of a social protection floor. The fact that countries at similar income levels exercise a substantial degree of discretion regarding public expenditure, as well as the share of public resources allocated to social expenditure, suggests that affordability is mostly a matter of political will.

63. Strengthening social protection systems entails screening policy choices to avoid the exclusion of groups that most require support. Measures in place often fail to take into account the particular requirements of women and households headed by females. Forms of protection tied to employment status, for instance, tend to place women at a disadvantage because a large portion of women's economic activity is unpaid and their participation in the labour market is more intermittent in nature than men's. Yet, addressing gender inequality and women's needs yields significant pay-offs. It is estimated, for example, that agricultural productivity would rise by

[32] Rolf Künnemann and Ralf Leonhard, "A Human Rights View of Social Cash Transfers for Achieving the Millennium Development Goals", Brot für die Welt (Stuttgart, 2008).

[33] *Objetivos de Desenvolvimento do Milenio*, Brasilia, Instituto de Pesquisa Economica Aplicada e Secretaria de Planejamento e Investimentos, 2007, p. 26.

[34] International Labour Organization, *Extending social security to all. A guide through challenges and options* (Geneva, International Labour Office, 2010).

[35] International Labour Organization, *Recovering from the Crisis: A Global Jobs Pact* (Geneva, International Labour Office, 2009), para. 22 (9). Available from http://www.ilo.org (accessed on 9 November 2010).

10 to 15 per cent in a significant number of sub-Saharan African countries if access for women farmers to inputs, credit and technical assistance were equalized with men's.[16]

C. Social policy and structural transformation

64. Countries where economic growth has taken place with gains in agricultural productivity and sustained increases in decent work in both rural and urban areas have made the most progress in reducing poverty. These countries have benefited from complementary policies in the economic and social fields, with Governments investing in infrastructure development and social services that are critical to raising productivity and reducing vulnerability.

65. Success cases regarding poverty reduction show that social policy must be an integral part of a broader development strategy if it is to address the conditions that cause and perpetuate poverty. Corrective measures designed to palliate market or institutional failures and to temporarily cushion shocks will not bring about the structural transformations necessary to reduce social and economic inequalities and promote inclusive and equitable economic growth.

66. Poverty is a result of society-wide patterns of inequality and discrimination. Universal access to basic social protection and to social services, especially health and education, are necessary to break the intergenerational cycle of poverty, maintain social cohesion and strengthen the social contract. However, they will have a limited impact on poverty and vulnerability if they are not complemented by broader interventions that address access to resources and their redistribution. Ensuring access to land, credit and other productive resources, fair inheritance rights, full legal capacity and access to justice by poor women and men are measures that are critical for the eradication of poverty. Financial solidarity mechanisms, including progressive taxation, are also necessary.

67. Participation of all members of society in social, economic and political life is important to ensure that Governments respond to social needs, including those of the poor. However, discrimination against individuals and social groups has precluded their participation. Social movements have traditionally given poor people and excluded groups a voice and greater agency to articulate their interests. They also have the ability to hold the Government and other actors to account. Creating an enabling environment for social movements and taking public action against discrimination are important to balance the inequitable distribution of power, promote participation and thus advance social integration.

68. Well-tailored policy interventions that address the root causes of poverty require sound information on the levels, duration and severity of income poverty and other dimensions of deprivation. Strengthening statistical capacity to produce and disseminate reliable data, especially in poorer countries, is essential to improve the formulation and evaluation of poverty reduction policies and programmes.

[16] C. Mark Blackden and Chitra Bhanu, "Gender, growth and poverty reduction", World Bank technical paper No. 428 (Washington, D.C., World Bank, 1999).

V. Conclusions

69. Despite the crisis, the world is still on track to halve the proportion of the population living on less than $1.25 a day by 2015. However, attaining the Millennium Development Goals poverty target is but one step towards the commitment to poverty eradication made at the World Summit on Social Development. Close to 900 million people will still be living in extreme poverty by 2015, even if the target is reached. Moreover, even in those countries that have succeeded in reducing income poverty, there are still important challenges in ensuring access to education, health care, food and other basic goods and services.

70. Regional poverty trends conceal very different national experiences, even across countries with similar income levels. Sustained economic growth with sufficient increases in productive employment and decent work has brought about fast poverty declines in some countries. In many other countries, however, work has not been a means to income security and social protection. Economic change has failed to deliver the sustained, inclusive and equitable growth that is necessary for reducing poverty. Increasing income inequalities, which overlap with gender inequalities and other forms of marginalization and social exclusion, have further limited the effectiveness of economic growth in reducing poverty. The burden of conflict, weather-related disasters and other impacts of climate change add to the lack of economic opportunities in countries affected by them.

71. The social consequences of such shocks have been most severe in countries where social protection systems were weakest. More broadly, countries that have successfully reduced income poverty and improved social conditions on a large scale have developed comprehensive social protection systems covering a majority of the population. The existing evidence indicates that a social protection floor is affordable and the consequences of not investing on social protection are high. Without basic social transfer schemes that foster access to health care, adequate levels of nutrition and social stability, a country cannot unlock its productive potential. Responses to the most recent economic crisis suggest that there is political momentum in favour of investments in social protection and the improvement of social services. Efforts should be made to protect social expenditure.

72. Countries where economic growth has taken place, with gains in agricultural productivity and sustained increases in decent work, have made the most progress in reducing poverty. In particular, countries with large agricultural sectors that have focused on raising small-holder on- and off-farm productivity by increasing access to inputs, infrastructure, information and markets have seen significant increases in agricultural output and declines in rural and urban poverty.

73. Success cases regarding poverty reduction show that social policy must be an integral part of a broader development strategy if it is to address the conditions that cause and perpetuate poverty. Universal access to basic social protection and to social services, especially health and education, are necessary to break the intergenerational cycle of poverty, to maintain social cohesion and to strengthen the social contract. However, they will have a limited impact on poverty and vulnerability if they are not complemented by broader interventions that address discrimination, access to resources and their redistribution.